Comments on Proposed Regulations – Article 5 Consumer Complaints and inquiries

Context for these comments: I have run a one employee registered investment advisor for over 20 years with no client complaints (other than general displeasure about the market going down). I am covered by the FINRA regulatory complaint system which shows 0 issues in 20 years. I provide personalized service to a limited set of clients who can, and do, contact me easily at virtually any time I'm awake. I work very hard at serving my clients - which necessarily means a lot of hours for me. Any additional demands on my time for bureaucratic work that does not add value to my clients can only reduce the service I'm able to provide.

Reference	Comment	
Overall	These proposed rules seem to have been written for large impersonal financial product providers rather than small personal financial advisors, yet they apply to us. As you can see in the comments which follow, these rules, as written, will be very burdensome for financial advisors even though they may be perfectly tuned for financial products and broker dealer trading operations. As written, they WILL have unintended consequences in that advisors will need to be much more selective in who they serve. It is quite likely that I would drastically raise the minimum asset requirement for clients and screen out the least sophisticated clients who need the most help. I expect other advisors to act similarly.	Consider writing rules specifically designed for personal financial advisors rather than lumping us in with this rule targeted at mass market products.
Section 1071	Investors working with financial advisors do so because they want to take market risks to earn higher returns than they could at a bank but they don't want to make those decisions on their own. In this business there will always be periods where market prices decline. Of course clients don't like to see their account balance decline (even though they know that is the definition of taking risk). Because they rely on their advisor rather than being fully on top of their own strategy, the ones who are most emotional will feel the need to express their discomfort to their advisor. Our job is to reassure them and help give them confidence to stick to a strategy rather than destroying their finances by selling after a decline. The definition of complaint would seem to encompass these interactions that occur in the normal course of this business. This creates an administrative burden relative to the most emotional and ill-informed clients such that I would have an incentive to not serve such clients. Of course, I already have an incentive to turn these away but this multiplies that incentive. Furthermore, the rules propose making such interactions a matter of public record. If this rule takes effect, I will need to fire some clients as the money I earn from them cannot compensate for the reputational hit I would take from reporting their emotional reactions to market declines.	Rework the definition of complaint to exclude normal expressions of discomfort with market induced changes in account balances. If this cannot be done, then reduce the administrative burden on advisors for this type of issue and eliminate public reporting.
Section 1072	For larger organizations written policies make sense as there is a need to disseminate them to many staff. For a one or	Exempt firms with less than 3 employees from

	two person advisor it does not make sense to spend time writing a procedure for yourself. The time doing this must necessarily take away from time addressing client needs and therefore increases the likelihood of complaints.	written policy requirement.
Sec. 1072 (a) (1)	This is way too bureaucratic for a one person advisor like me. It is likely to make an unhappy client angry and thereby complicate the resolution process. It is much better to allow clients to express themselves and communicate issues however THEY like. Clients come to me rather than large firms because they do not want to deal with money in this impersonal way; they like that they can call me on the phone or email anytime and get a quick direct response.	Allow complainant's to submit complaints in any written form they like (or even verbal). If not for all, then at least for small firms that specialize in personal service.
Sec. 1072 (a) (3)	This seems to say that every single email between advisors and clients must include a specially formatted boilerplate notice about how to complain when in fact every one of my clients knows how: call me or write an email with the problem. This could potentially suck hours out of a week if I have to copy and paste this into every single email I write. Sometimes these are 5 word emails. The cost vs benefit is crazy.	Get rid of this and rely on a simple explanation on the website about how to complain. It can be as simple as send an email to this address for any complaint.
Sec. 1072 (a) (4)	This sounds reasonable except that an actual form is not needed. They can simply write their complaint.	Get rid of the form requirement to allow free form submissions.
Sec. 1072 (a) (5)	Again, small firms don't need forms to document complaints. We can simply take notes.	Allow small firms to document client verbal complaints with free form notes.
Sec. 1072 (b)	These regulations are clearly targeted at larger firms. Having written procedures does not make sense for a small firm with one or two principals and we don't' need a tracking system. I've been at this for 20 years and I have had no complaints other than the standard reactions to market declines. If a client is unhappy I absolutely would resolve it without assigning a tracking number.	Delete the reference to procedures and just require the action – but drop tracking numbers for small firms with less than say 10 complaints over a year.
Sec. 1072 (b) (3)	As mentioned previously, small firms with few complaints have no use for tracking numbers. The 7 days for postal response may be too short given the postal service these days. Most people prefer email anyway.	Drop the tracking number for small firms. Allow response via email to speed it up and/or a longer time frame for postal mail.
Sec. 1072 (h)	A quarterly filing is a waste of time when there are no complaints. Reporting frequency should be related to the number of complaints.	Eliminate reports for time periods when no complaints are received.
Section 1073	For larger organizations, written policies make sense as there is a need to disseminate them to many staff. For a one or two person advisor it does not make sense to spend time	Exempt firms with less than 3 employees from

	writing a procedure for yourself. The time doing this must necessarily take away from time addressing client needs and therefore increases the likelihood of complaints.	written policy requirement.
Section 1073 (d)(4)	I do not have custody of client funds which are held at independent brokers, yet clients call me to ask how to transfer money even though they can easily figure it out by logging into their account or calling the broker. They call me because I always immediately answer and walk them through it. Forcing me to track these inquiries will provide no value to anyone and cost me time that I could devote to more valuable services.	Exempt registered investment advisors that do not have custody from tracking and reporting questions about how to transfer money from a brokerage.
Section 1073 (f)	This effectively requires me to track every client email or phone call containing a question, categorize them and produce a report of it all at year end. The time to do such would equal all the time I spend on accounting and taxes with no significant benefit to anyone. My role is to be someone who a client can call to ask their financial questions. This effectively doubles the work required for answering them. If this rule is implemented, I'll have to consider adjusting fees to compensate for the additional time this will take. That will be a big cost imposed by the regulation on the consumers as I value my time highly.	Exempt registered investment advisors dealing with routine client questions.
Section 1074	For larger organizations, written policies make sense as there is a need to disseminate them to many staff. For a one or two person advisor it does not make sense to spend time writing a procedure for yourself. The time doing this must necessarily take away from time addressing client needs and therefore increases the likelihood of complaints.	Exempt firms with less than 3 employees from written policy requirement.
Cost Impact and Effect on Small business	This is at least 1 hours per week and another 8 doing reports so 60 hours a year. I cannot hire someone to do this so it reduces the time I can use taking on consulting jobs for which I charge $300/hour. So my cost would be about $18,000. This will absolutely reduce my income and the number of clients I can serve. This WILL impact the expansion of my business and any other firm that does not raise prices to hire staff to do the work that this will dispace.	